BRAZIL

The Department of State submitted this report to the Senate Committees on Foreign Relations and on Finance and to the House Committees on Foreign Affairs and on Ways and Means, on January 31, 1999.

Key Economic Indicators

(Billions of U.S. Dollars unless otherwise indicated)

	1996	1997	1998 1/
Income, Production and Employment:			
Nominal GDP 2/	775	804	775
Real GDP Growth (pct) 3/	2.8	3.2	0.7
GDP By Sector (pct)			
Agriculture	4.1	1.9	2.72
Industry	3.7	5.5	0.05
Services	1.9	2.0	0.97
Per Capita GDP (US$) 4/	5,311	5,030	4,800
Labor Force (millions)	74.1	75.6	77.1
Unemployment Rate (pct)	5.4	6.0	8.0
Money and Prices (annual percentage growth):			
Money Supply (M2)	56.6	21.7	33.8
Consumer Price Index 5/	9.1	4.3	2.0
Exchange Rate (R/US$ annual average)			
Commercial	1.00	1.08	1.15
Balance of Payments and Trade:			
Total Exports FOB 6/	47.7	53	51.1
Exports to U.S. 6/	9.3	9.4	9.8
Total Imports FOB 6/	53.3	61.4	57.6
Imports from U.S. 6/	11.9	14.3	13.7
Trade Balance 6/	-5.6	-8.4	-6.4
Balance with U.S. 6/	-2.6	-4.9	-3.9
Fiscal Deficit/GDP (pct)			
Nominal	5.9	6.1	8.5
Operational (inflation adjusted)	3.8	4.3	6
Current Account Deficit/GDP (pct)	3.3	4.2	4.3
External Public Debt 7/	88.4	80	81.8
Debt Service/GDP (pct)	1.6	1.8	2.0
Gold and Foreign Exchange			
Reserves (int'l liquidity)	60.1	52.2	45.5
Aid from U.S. (US$ millions) 8/	13.7	12.9	14.0
Aid from Other Countries	N/A	N/A	N/A

1/ 1998 figures estimated based on January-August data, except where noted.

2/ GDP at market prices. Sectoral growth rates are cumulative for first three quarters.

3/ Percentage changes calculated in local currency.

4/ At current prices; 1998 figures estimated based on January-June data.

5/ Source: INPC (National CPI).

6/ Merchandise trade; Source: Ministry of Industry, Commerce and Tourism (MICT). Trade totals are preliminary for entire year. U.S. totals are extrapolated from January-September data.

7/ Nonfinancial public sector (excludes Petrobras and CVRD); 1998 figure is October balance.

8/ USAID only.

1. General Policy Framework

Brazil is in the fifth year of an economic stabilization program (the so-called Real Plan) which has brought down inflation, dramatically reduced the role of the state in the economy, and encouraged greater private sector investment to achieve sustainable long-term growth. Since the July 1994 introduction of a new currency, the Real, national consumer price inflation has dropped from a monthly average of 50 percent in the first half of 1994 to just over two percent for the first three quarters of 1998. Key features of economic policy have been reliance on high real interest rates both to attract foreign capital and to facilitate financing of a growing domestic debt, and a strong currency and market-opening measures which increase competition and exert downward pressure on prices for traded goods in particular. Long term economic stabilization with improved real growth depends on continuing privatization in the medium run and on the success of a three-year Fiscal Stability Program introduced in October 1998 in response to the world financial crisis. Brazil made progress on reforms following the onset of the Asian financial crisis in late 1997, notably implementing civil service reform in mid-1998, and social security reform in early November 1998.

With the drop in inflation, the public sector has had a harder time balancing budgets as it could no longer reduce the real value of expenditures by postponing payments (revenues were fully indexed for inflation). Brazil ran a nominal deficit (including interest payments) in 1995 equal to five percent of GDP after four years of nearly balanced budgets. The government was able to reduce this figure to four percent of GDP in 1996 but the gap rose to six percent in 1997 and will likely hit eight percent in 1998 due to higher debt service costs. Responding to adverse developments in world credit markets in 1998, the government had to raise nominal interest rates to unsustainable levels while introducing a series of budgetary measures aimed at stabilizing the debt/GDP ratio and regaining investor confidence. In addition to constitutional reforms of the civil service and social security, tax and labor reforms are also on the table.

The Real Plan was premised on tight monetary policy. With fiscal reforms lagging, monetary policy has had to bear most of the burden. Together with greater availability of credit, higher real incomes due to price stabilization and a hike in the minimum wage freed pent-up consumer demand and led to a consumption boom in 1994/95 which ended in mid-1997. Lower trade barriers and a strong currency prompted a surge in imports, which grew almost 150 percent from 1993 to 1997. Imports dropped slightly in the first three quarters of 1998 due to slowing domestic demand. In contrast, exports were up just over a third for the same four-year period and growth is flat so far in 1998. To dampen consumption and stave off a widening current account deficit, the government tightened monetary policy by imposing high bank reserve requirements and credit restrictions in 1995. However, high domestic real interest rates have also inhibited business investment, particularly by small and medium sized businesses that cannot borrow overseas. As a result, real growth slowed from over four percent in 1995 to three percent in 1996 and rose just over three percent in 1997.

Due to the impact of the world financial crisis and the even tighter monetary policy adopted in response to it, real growth in 1998 will likely be no more than one percent and the economy may enter into a recession in 1999. Concerned about a widening current account deficit, which reached 4.2 percent of GDP in 1997 (and which reached 4.37 percent of GDP for the 12 months ended in September 1998), the government began to adopt measures in 1997 aimed at discouraging imports and encouraging exports. These have included imposing restrictions on short-term import finance and consumer credit, expanding the official export credit program, eliminating tariff exemptions for a long list of capital goods, adoption of a customs valuation table, increasing import documentation requirements, and tightening standards and enforcement.

In response to an import boom, in March 1995, the government significantly raised import tariffs on a range of consumer durable goods, including automobiles, toys, and shoes. The new tariff levels are as high as 63 percent on some products. Over the past two years, through the adoption of a special “ex-tarifario” regime, however, the tariff increases exempted most capital goods, which constitute a significant portion of U.S. exports to Brazil. The exemption was phased out for most capital goods in September 1997. In December 1995 Brazil implemented a complex automotive products import regime. The regime liberalizes imports of capital goods and inputs for domestic manufactures of vehicle parts. It also permits domestic vehicle manufacturers to import finished vehicles at a 50 percent reduction to the current 63 percent duty, but links this benefit to export performance and local content requirements which appear inconsistent with Brazil’s WTO obligations. The regime expires in 1999 and will be replaced by an as-yet-undefined MERCOSUR regime in the year 2000.

In March 1997, Brazil imposed new import financing rules that adversely affected a range of U.S. exports to Brazil. The measure requires importers to purchase foreign exchange to pay for most imports upon importation or 180 days in advance, rather than when payment is due under the contract. The measure, which provides more favorable treatment for imports from MERCOSUR members and associate members such as Bolivia and Chile, effectively increases the cost of many imports by eliminating or reducing supplier credits of less than one year. Despite the restrictive measures -- measures which the Brazilian government maintains are temporary -- access to Brazilian markets in most sectors is generally good, and most markets are characterized by competition and participation by foreign firms through imports, local production and joint ventures.

Brazil and its MERCOSUR partners, Argentina, Paraguay and Uruguay, implemented the MERCOSUR Common External Tariff (CET) on January 1, 1995. The CET currently covers approximately 85 percent of 9,000 tariff items; most of the remaining 15 percent will be covered by the CET by 2001, and all will be covered by 2006. CET levels range between zero and 23 percent. With the exception of tariffs on computers, some capital goods, and products included on Brazil's national list of exceptions to the CET (such as shoes, automobiles and consumer electronics), the maximum Brazilian tariff is now 23 percent; the most commonly applied tariff is 17 percent. MERCOSUR is now negotiating free trade agreements with its South American neighbors. Association agreements with Chile and Bolivia went into effect in October 1996, and negotiations with the Andean Pact began in November 1996. In January 1, 1999, Argentina and Brazil will take further steps towards a common market, by reducing tariffs on a list of 224 Argentine products and 32 Brazilian products to zero. Zero tariffs for Argentina will allow easier entry for Brazilian exports of soluble coffee, apparel, shoes, specialty steel and wood. Zero tariffs for Brazil will allow access for Argentine peaches, wine and rubber products.

The Brazilian Congress ratified the GATT Uruguay Round Agreements in December 1994 and Brazil became a founding member of the WTO.

2. Exchange Rate Policy

Brazil has three exchange rates: commercial, tourist (or floating), and parallel. The commercial rate is used for commercial and financial transactions registered with Brazil's Central Bank, Banco Central do Brasil. The tourist rate is used for individual transactions, such as travel, education, and other unilateral transfers. The parallel rate is similar to the tourist rate, but is not recorded with the central bank. The spread between the three rates has narrowed with stabilization. Central Bank officials state that they intend to unify the commercial and tourist rates eventually.

When introduced in July 1994, the new currency, the real, was pegged at parity with the U.S. Dollar but quickly appreciated. The Central Bank established a new system of trading bands in March 1995 and has subsequently devalued very gradually, first within the bands and then by adjusting the bands upward. Since February 1998, the trading band has been 1.14 to 1.22 reals for one U.S. Dollar. Currently, the bank is pursuing a "crawling peg" policy of nominal depreciation of the real against the dollar at the rate of about 7.5 percent per year. Due to slowing domestic inflation, the real effective exchange rate against the dollar has gradually depreciated against the U.S. Dollar over time.

3. Structural Policies

While some administrative improvements have been made in recent years, the Brazilian legal and regulatory system is far from transparent. The government has historically exercised considerable control over private business through extensive and frequently changing regulations. As part of its efforts to keep inflation down, the government has in the past frozen public utility rates.

Brazil is accelerating its privatization program initiated in 1990 to reduce the size of the government and improve public sector fiscal balances. Steel companies and most petrochemical companies owned by the government, the main exception being Petrobras, have already been privatized. The majority of voting shares in mining conglomerate Companhia Vale do Rio Doce (CVRD) was sold to the private sector in May 1997 and Telebras was split into 12 firms and privatized in July 1998. Several electric utilities have been privatized and so-called "Band B" cellular telephone concessions covering the whole country were sold in 1997 and 1998. The Rio de Janeiro State bank, Banerj, was sold to the private sector and Sao Paulo state bank Banespa is also to be auctioned. Up until September 1998, Brazil realized $68 billion in sales revenues and a further $17 billion in transfer of public sector debt.

Brazil's tax system is extremely complex, with a wide range of income, consumption, and payroll taxes levied at the federal, state and municipal levels. Because of difficulties in passing comprehensive tax reform through Congress, the government has focused on limited revisions by executive order. In late 1995, it passed revisions to the corporate and individual income tax regimes. In 1996, it exempted exports and capital purchases from the state-collected value added tax and announced a single tax on the gross receipts of small and medium enterprises. While the overall objective remains simplification, the government imposed an additional tax on financial transactions for a two-year period beginning in 1997 to finance the health system. The government has announced plans to transform the current system into one where a value-added tax, state and city sales taxes, and a selective excise tax would replace the current system of multiple taxation. The proposal is strongly advocated by Brazil's private sector and will likely be considered by the Congress in 1999.

4. Debt Management Policies

Brazil's total external debt by the end of 1997 was $200 billion, of which 43 percent was owed by the public sector (excluding Petrobras and CVRD) and the remainder by the private sector. While total external debt rose 11 percent in the year, external public sector debt fell both absolutely and as a share of the total. Debt service represented 2.0 percent of Brazil's Gross Domestic Product and 27.2 percent of merchandise exports. Brazil concluded a commercial debt rescheduling agreement (without an IMF standby program) in April 1994 after twelve years of negotiations and has fully complied with the commitments made in this agreement. Until the global financial crisis erupted in mid-1998, the terms of Brazilian debt obligations had lengthened and spreads narrowed on both public and private sector external debts. Progress on the fiscal stability program announced by the government in late-October 1998, along with developments in the external economic environment, will greatly influence Brazil's borrowing costs in 1999. Brazil's growing internal public sector debt remains a concern.

5. Significant Barriers to U.S. Exports

Import Licenses: Although Brazil requires import licenses for virtually all products, many licenses are issued automatically through the Secretariat of Foreign Trade's computerized trade documentation system, SISCOMEX, which has been fully operational since 1997. An increasing number of products are subject to non-automatic licensing. In a move that was presented as an attempt to reduce the high incidence of under-invoicing, in December 1997, the government removed over 300 products from the list of products receiving automatic licenses and required various ministry approvals prior to shipping. These products include food and wine, tapes and CDs, chemicals and energy products. In October 1998, Brazil issued a series of administrative measures that require some additional sanitary and phytosanitary and safety approvals from various ministries for products subject to non-automatic licenses. Implementation of the measures continues to be poorly coordinated and the backlog continues to delay imports and force some importers to incur unnecessary storage costs.

Agricultural Barriers: While progress has been made in the area of fruit and vegetable regulations between the United States and Brazil, sanitary and phytosanitary (SPS) measures remain significant barriers in many cases. However, in November 1998, the U.S. and Brazil agreed on a protocol which will allow the U.S. to comply with Brazilian phytosanitary requirements on wheat, resolving the largest bilateral phytosanitary issue with Brazil.

Brazil prohibits the entry of poultry and poultry products from the United States, alleging lack of reciprocity. Brazil had previously granted conditional approval for U.S. poultry exports, which was withdrawn when the United States could not grant Brazil an exception to the standard U.S. approval process. Following the lead of the European Union, Brazil prohibits the importation of beef treated with anabolic hormones; however, beef imports from the United States have been allowed on a waiver basis since 1991. In October 1995, Brazil prohibited the importation of live sheep from the United States due to scrapie (a sheep disease), although scrapie is believed to exist in Brazil.

Services Barriers: Restrictive investment laws, lack of administrative transparency, legal and administrative restrictions on remittances, and arbitrary application of regulations and laws limit U.S. service exports to Brazil. In some areas, such as construction engineering, foreign companies are prevented from providing technical services in government procurement contracts unless Brazilian firms are unable to perform them. Restrictions exist on the use of foreign produced advertising materials.

Many service trade possibilities, in particular services in the oil and mining industries, have been restricted by limitations on foreign capital under the 1988 Constitution. Unless approved under specific conditions, foreign financial institutions are restricted from entering Brazil or expanding pre-1988 operations. The Brazilian Congress approved five constitutional amendments in 1995 that eliminated the constitutional distinction between national and foreign capital; opened the state telecommunications, petroleum and natural gas distribution monopolies to private (including foreign) participation; and permitted foreign participation in coastal and inland shipping. However, the degree to which these sectors are actually opened will depend on implementing legislation. Legislation permitting the licensing of private cellular phone networks to compete with existing parastatal monopolies was passed in May 1996, but it requires majority (51 percent) Brazilian ownership of eligible companies.

Foreign legal, accounting, tax preparation, management consulting, architectural, engineering, and construction industries are hindered by various barriers. These include forced local partnerships, limits on foreign directorships and non-transparent registration procedures.

After several years of deteriorating bilateral maritime relations, the Brazilian Government recently altered its tax treatment of incoming cargo to indirectly subsidize its own national carriers at the expense of U.S. shipping companies. The government has done this in two ways: 1) by exempting cargo carried on Brazilian ships from certain taxes, and 2) by removing previous tax exemptions from certain cargo carried by U.S. vessels. The net effect is lost business for U.S. carriers. The Federal Maritime Commission (FMC) is following these issues along with several previous bilateral maritime complaints against Brazil.

Foreign participation in the insurance industry has responded positively to market-opening measures adopted in 1996. However, problems remain with market reserves for Brazilian firms in areas such as import insurance and the requirement that parastatals purchase insurance only from Brazilian-owned firms. In June 1996, the government legally ended the state's monopoly on reinsurance, but the monopoly has yet to end in practice and its persistence is keeping costs high for insurers, both domestic and foreign.

Investment Barriers: Various prohibitions restrict foreign investment in petroleum production and refining, internal transportation, public utilities, media, shipping, and other "strategic industries." In other sectors, Brazil limits foreign equity participation, imposes local content requirements and links incentives to export performance. Some of these restrictions may be reduced once the 1995 Constitutional amendments are implemented, although new restrictions were introduced in the auto sector in 1995. Foreign ownership of land in rural areas and adjacent to international borders is prohibited.

Informatics: The 1991 Informatics Law eliminated prohibitions and requirements for government prior review for informatics imports, investment, or manufacturing by foreign firms in Brazil. However, import duties remain high (up to 29 percent) on informatics products, and Brazilian firms receive preferential treatment in government procurement and have access to certain fiscal and tax benefits. For a foreign-owned firm to gain access to some of these incentives, it must commit to invest in local research and development and meet customer service and export and local training requirements. Market access for U.S. software has improved since a new Software Law was signed by President Cardoso in February 1998. The new law contains amendments that have introduced a rental right and increased the term of protection by 50 years. Onerous registration requirements were also removed. The law contains a link to tax evasion that improves enforcement efforts by requiring a tax investigation to be conducted in any case of software piracy.

Government Procurement: Brazil is not a signatory to the WTO Government Procurement Agreement. Federal, state and municipal governments, as well as related agencies and companies, follow a "buy national" policy. Brazil permits foreign companies to compete in any procurement related to multilateral development bank loans and opens selected procurements to international tenders. Given the significant influence of the state-controlled sector, discriminatory procurement policies are a relatively substantial barrier to U.S. exports in Brazil's market, though the privatization of Telebras effectively removes the telecommunications sector from being subject to the procurement laws.

Law Number 8666 of 1993, covering most government procurement (except informatics and telecommunications), requires nondiscriminatory treatment for all bidders, regardless of nationality or origin of product or service. However, regulations introduced in late 1993 allow consideration of non-price factors, give preferences to telecommunications, computer, and digital electronics goods produced in Brazil, and condition eligibility for fiscal benefits on local content requirements. In March 1994, the government issued Decree 1070, which requires federal and parastatal entities to give preference to locally produced computer and telecommunications products and services based on a complicated and nontransparent price/technology matrix. Bidders that meet one or more of the criteria for preferential treatment are allowed a price differential of up to 12 percent over other bidders.

6. Export Subsidies Policies

In general, the government does not provide direct subsidies to exporters, but does offer a variety of tax and tariff incentives to encourage export production and encourage the use of Brazilian inputs in exported products. Incentives include tax and tariff exemptions for equipment and materials imported for the production of goods for export, excise and sales tax exemptions on exported products, and excise tax rebates on materials used in the manufacture of export products. Exporters enjoy exemption from withholding tax for remittances overseas for loan payments and marketing, and from the financial operations tax for deposit receipts on export products. Excise and sales tax exemptions have now been extended to agricultural and semimanufactured export products as well as to manufactured products. Exporters are also eligible for a rebate on social contribution taxes paid on locally acquired production inputs.

An export credit program, known as PROEX, was established in 1991. PROEX is intended to equalize domestic and international interest rates for export financing. Revisions to the program were made in 1995 and 1997, affecting the size of the program and coverage of certain sectors. As of November 1997, $1.4 billion was budgeted. Capital goods, automobiles and auto parts, and consumer goods are eligible for financing under PROEX.

7. Protection of U.S. Intellectual Property

Brazil belongs to the World Trade Organization (WTO) and the World Intellectual Property Organization (WIPO). It is also a signatory to the Paris Convention, Berne Convention, Madrid Agreement, Rome Convention, Patent Cooperation Treaty, Strasbourg Agreement, Phonograms Convention, Nairobi Treaty, Film Register Treaty, and the Universal Copyright Convention. In 1998, the U.S. Trade Representative removed Brazil from the "Special 301" Watch List after receiving commitments to process pending pharmaceutical "pipeline" patent applications and to present an enforcement action plan to address concerns about piracy and counterfeiting. Although Brazil has made progress toward improved protection for intellectual property rights, it must take further significant steps to combat piracy.

In the past two years, Brazil has passed revised copyright, software, patent, and trademark legislation. Brazil's new Industrial Property Law took effect in May 1997, bringing most respects of Brazil's patent and trademark regime up to the standards specified in the WTO TRIPs Agreement. However, the new law also includes compulsory licensing and local working requirements that appear to be TRIPs-inconsistent. The law permits the granting of a compulsory license if a patent owner has failed to "work"(manufacture locally) the patented invention in Brazil within three years of issuance. A product is recognized as "worked" in cases in which local production is found to be "economically unviable." Implementation of the new law remains to realize the benefits fully.

Patents: The new Industrial Property Law provides patent protection for chemical and pharmaceutical substances, chemical compounds, and processed food products not patentable under Brazil's 1971 law, and provides patent protection for genetically altered micro-organisms. The law also extends the term for product patents from 15 to 20 years, and provides "pipeline" protection for pharmaceutical products patented in other countries but not yet placed on the market. After a long delay, the large backlog of pipeline patents are being processed, although slowly. In April 1997, a Plant Variety Law was passed that provides protection to producers of new varieties of seeds.

Trade Secrets: The new Industrial Property Law specifically allows criminal prosecution for revealing trade secrets of patented items, with a penalty of imprisonment for three months to a year or a fine. The regulations as written are narrower than the TRIPs Agreement. However, the government argues that since it incorporated Article 39 of the Agreement into law when the Uruguay Round agreements were ratified, in effect it provides a level of protection consistent with the TRIPs Agreement.

Trademarks: The new Industrial Property Law improves Brazil's trademark laws, providing better protection for internationally known trademarks. Trademark licensing agreements must be registered with the National Institute of Industrial Property to be enforceable. However, failure to register licensing agreements will no longer result in cancellation of trademark registration for non-use.

Copyrights: In February 1998, in an effort to raise Brazil's copyright protection to the level of the TRIPs Agreement, President Cardoso signed a new copyright law that generally conforms to international standards. In the last two years, enforcement of Brazilian laws against video and software piracy has improved, and the government and the private sector have initiated action to reduce the importation of pirated sound recordings and videocassettes.

Semiconductor Chip Layout Design: In April 1996, a bill to protect layout designs of integrated circuits was introduced.

Impact on U.S. Trade: The U.S. pharmaceutical industry estimates that losses in Brazil due to piracy were $600 million. However, the passage of the new Industrial Property Law in May 1996 has brought more than $2 billion in pharmaceutical investment. U.S. copyright-based industries estimate that losses in Brazil due to piracy were $660.7 million in 1997. The U.S. software industry estimates losses of $356 million and that 68 percent of the business software in use in Brazil was illegally obtained. The Motion Picture Association of America (MPAA) estimates losses due to media piracy were $100 million in 1996.

8. Worker Rights

a. The Right of Association: Unions are free to organize in Brazil. Virtually all workers (except for the military, the military police and firemen) have the right to representation. The only significant limitation is *unicidade* (literally "one per city"), which restricts representation for any professional category to one union in a given geographical area. Both the government and the major labor confederations have argued in favor of removing this restriction, so it may be removed within the next year. Otherwise, unions remain independent of the government and (at least nominally) the political parties.

b. The Right to Organize and Bargain Collectively: The Constitution provides for the right to organize, and virtually all enterprises of any size have unions. With government assistance, businesses and unions are working to expand and improve mechanisms of collective bargaining. For now, however, many issues normally resolved by collective bargaining come under the purview of Brazil's labor courts, which have the power to intervene in wage bargaining and impose settlements. The new Minister of Labor, however, has emphasized that expansion of the role of collective bargaining is one of the objectives of his administration.

c. Prohibition of Forced or Compulsory Labor: Although the Constitution prohibits forced labor, credible sources continue to report cases of forced labor in Brazil. The Catholic Church's Pastoral Land Commission (CPT) has documented cases of forced labor in some states, and forced labor continues on farms producing charcoal for use in the iron and steel industries, and on sugar plantations. The federal government has created a task force, comprising five different ministries, to combat forced labor, and the Ministry of Labor has augmented the task force with mobile inspection teams. These have efforts have improved the situation considerably, though all concerned concede that forced labor continues to be a problem.

d. Minimum Age for Employment of Children: The Brazilian Constitution prohibits work by children under the age of 14. Despite this prohibition, the Ministry of Labor estimates that nearly three million children in the age category 10 to 14 years work. Sectors which have child labor include charcoal production, sugar cultivation, citrus fruit plantations, hemp-growing, and mining and logging, among others. The Ministry of Labor has made concerted efforts to limit child labor by increasing inspections and by programs of education for employers. The problem, however, persists.

e. Acceptable Conditions of Work: Brazil has a minimum wage of approximately 111 dollars (130 reals) a month. Many workers, particularly those outside the regulated economy and in the northeastern part of Brazil, reportedly earn less than the minimum wage. The 1988 Constitution limits the workweek to 44 hours and specifies a weekly rest period of 24 consecutive hours, preferably on Sundays. The Constitution expanded pay and fringe benefits and established new protections for agricultural and domestic workers, thought not all provisions are enforced. All workers in the formal sector receive overtime pay for work beyond 44 hours and there are prohibitions against excessive use of overtime. Unsafe working conditions exist throughout Brazil, though Brazilian occupational health and safety standards are consistent with international norms. The Ministry of Labor, responsible for monitoring working conditions, has insufficient resources for adequate inspection and enforcement of these standards.

f. Rights in Sectors with U.S. Investment: U.S. multinationals have invested in virtually all the productive sectors in Brazil. Nearly all of the Fortune 500 companies are represented in Brazil. In U.S.-linked enterprises, conditions usually do not differ significantly from the best Brazilian companies; at most U.S. multinationals, conditions are considerably better than the average.

Extent of U.S. Investment in Selected Industries -- U.S. Direct Investment Position Abroad on an Historical Cost Basis -- 1997

(Millions of U.S. Dollars)

Category		Amount
Petroleum		1,769
Total Manufacturing		22,584
Food & Kindred Products	3,412	
Chemicals & Allied Products	4,867	
Primary & Fabricated Metals	1,240	
Industrial Machinery and Equipment	1,340	
Electric & Electronic Equipment	1,936	
Transportation Equipment	3,603	
Other Manufacturing	6,186	
Wholesale Trade		656
Banking		1,489
Finance/Insurance/Real Estate		4,711
Services		1,602
Other Industries		2,915
TOTAL ALL INDUSTRIES		35,727

Source: U.S. Department of Commerce, Bureau of Economic Analysis.